



# Australian Bureau of Statistics

## 6554.0 - Household Wealth and Wealth Distribution, Australia, 2009-10

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### Summary

### Main Features

### NOTES

### ABOUT THIS PUBLICATION

This publication presents estimates of the assets, liabilities, net worth and other characteristics of households and persons resident in private dwellings in Australia, compiled from the 2009-10 Survey of Income and Housing (SIH). It includes estimates of the distribution of net worth across the population.

### CHANGES IN THIS ISSUE

Key changes in this issue include:

- an increase in sample size from 9,961 households in 2005-06 to 18,071 households in 2009-10 due to an expansion in the SIH sample for an extra 4,200 households located outside capital cities, as well as an additional sample of metropolitan households whose main source of income was a government pension, benefit and/or allowance
- improvements, aligning with international statistical standards, to the collection of income statistics including to:
  - incorporate non-cash benefits provided to employees;
  - incorporate termination payments and lump sum workers' compensation payments; and
  - improve the coverage of bonuses and irregular overtime payments and inter-household transfers. See Appendix 4 of **Household Income and Income Distribution, Australia, 2007-08** (cat. no. 6523.0) for more information
- the inclusion of a benchmark for the value of government benefit cash transfers to ensure that the survey estimate of government benefit cash transfers is maintained at a proportion of aggregate benefit cash transfers that is consistent with previous SIH cycles (this benchmark was last used in the 2000-01 SIH)
- improvements to the collection of the value of assets in public unit trusts and private trusts
- disability questions for persons aged 15 years and over were asked in the 2009-10 SIH.

### REVISIONS

Minor errors in the processing of the 2005-06 survey results have been corrected, resulting in average weekly household gross and disposable incomes each being revised down by about \$2.

### EFFECTS OF ROUNDING

Where figures have been rounded, discrepancies may occur between sums of the component items and totals. Published percentages are calculated prior to rounding of the figures and therefore some discrepancy may exist between these percentages and those that could be calculated from the rounded figures.

### INQUIRIES

For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070 or Living Conditions on Canberra (02) 6252 6174, email <[living.conditions@abs.gov.au](mailto:living.conditions@abs.gov.au)>.

The Datacubes for this publication will be released on the ABS website on 19 October 2011.

# **Summary of Findings**

## **SUMMARY OF FINDINGS**

### **INTRODUCTION**

The economic wellbeing of individuals is largely determined by their command over economic resources. People's income and reserves of wealth provide access to many of the goods and services consumed in daily life. This publication provides details of the components and distribution of household net worth, or wealth.

The estimates of net worth in this publication are derived from the value of households' assets less their liabilities, as collected in the 2009-10 Survey of Income and Housing (SIH). Comprehensive information on household assets and liabilities were collected for the first time in the 2003-04 SIH, and again in the 2005-06 SIH. Tables 1 and 2 in this publication show data across the time series.

While there may be individual ownership of assets, the benefits of asset ownership are shared at least to some extent between members of the household. Therefore this publication presents estimates of household wealth along with estimates of household income and other characteristics of households.

Further information on household income is available from the publication **Household Income and Income Distribution, Australia, 2009-10** (cat. no. 6523.0).

### **COMPOSITION OF WEALTH**

Wealth is a net concept and measures the extent to which the value of household assets exceeds the value of their liabilities. In 2009-10, the mean value of household assets was \$839,000. The corresponding value of mean household liabilities was \$120,000, resulting in mean household net worth of \$720,000 (see table 6).

#### **Assets**

Sixty-nine percent of households own their own home either outright or with a mortgage (table 7), and for many of them the dwelling in which they live is their main asset. Owner occupiers' average home value was \$531,000. This represented a value of \$365,000 when averaged across all households, that is, across both owner occupiers and non-owner occupiers (see table 6). Owner occupied dwellings accounted for 43% of total average household assets for all households (table 9). The average value of household contents was \$61,000 (table 6).

Just over 20% of households owned property other than the dwelling in which they lived, including residential and non-residential property for rent and holiday homes (table 8). The value of this property averaged \$136,000 across all households (table 6) and accounted for 16% of total household assets (table 9).

Balances in superannuation funds were the largest financial asset held by households, averaging \$116,000 per household across all households (table 6). Seventy-five percent of households had some superannuation assets (table 8), but the distribution was very asymmetrical. While the average (mean) value of superannuation for those households was \$154,000, half had superannuation assets under \$60,000.

In the SIH, the value of own unincorporated and incorporated businesses are measured on a net basis, that is, the value of assets less the value of liabilities. The net value of own unincorporated businesses averaged \$23,000 across all households and the net value of own incorporated businesses averaged \$40,000 across all households (table 6).

#### **Liabilities**

Loans outstanding on owner occupied dwellings were the largest household liability. They averaged \$188,000 for owner occupier households with a mortgage, giving them a net value in their dwellings of \$333,000. Across all households, the average value of loans outstanding on owner occupied dwellings was \$68,000, or 57% of average household liabilities. Loans outstanding for other property averaged \$37,000. The principal outstanding on vehicle loans averaged \$2,300 per household and the average household credit card debt was \$2,600 (table 18).

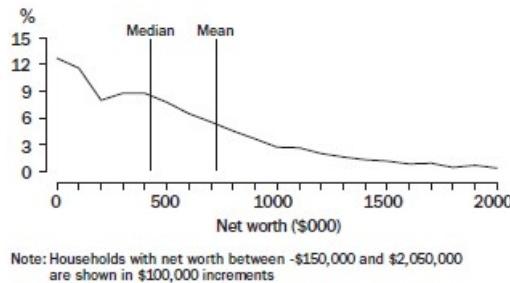
### **DISTRIBUTION OF WEALTH**

While the mean household net worth of all households in Australia in 2009-10 was \$720,000, the median (i.e. the mid-point when all households are ranked in ascending order of net worth) was substantially lower at \$426,000 (table 7). This difference reflects the asymmetric distribution of wealth between households, where a relatively small

proportion of households had high net worth and a relatively large number of households had low net worth, as illustrated in the following frequency distribution graph (S1).

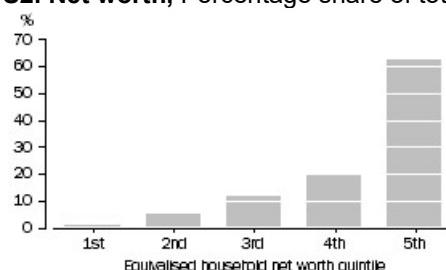
As shown in table 2, over 1.2 million households (16%) had net worth less than \$50,000, with 77,000 of these households having negative net worth (1% of all households).

### S1. DISTRIBUTION OF HOUSEHOLD NET WORTH, 2009-10



Another measure of wealth distribution is provided by the net worth shares of groups of households at different points in the wealth distribution. The following graph (S2) shows that, in 2009-10, households in the highest net worth quintile held 62% of the total net worth of all households, while a further 20% was held by households in the 4th quintile. By comparison, the lowest three quintiles held, in total, 18% of total net worth.

### S2. Net worth, Percentage share of total



### Changes in net worth distribution from 2003-04 to 2009-10

In real terms, mean household net worth in 2009-10 (\$720,000) was 14% higher than in 2005-06 (\$632,000) and 30% higher than in 2003-04 (\$555,000) (table S3).

For low net worth households (represented by the lowest quintile), median net worth increased by 9% from 2005-06 to 2009-10. For households with middle net worth (represented by the third quintile), there was a 12% increase in the median value and for the highest net worth households (represented by the top quintile) there was a 13% increase (table S3).

The share of total household net worth owned by households in the lowest net worth quintile has remained at around 1%. In contrast the share of households in the highest net worth quintile has slightly increased, from 59% in 2003-04, to 61% in 2005-06 and 62% in 2009-10 (table S3).

### S3. Changes in real net worth distribution, 2003-04 to 2009-10

	2003-04(a)	2005-06	2009-10	Percentage change 2005-06 to 2009-10
Mean household net worth				
Low net worth	\$ 28 863	\$ 30 688	\$ 31 829	4
Middle net worth	\$ 351 060	\$ 383 590	\$ 427 168	11
High net worth	\$ 1 636 773	\$ 1 931 824	\$ 2 223 013	15
All households	\$ 554 960	\$ 631 871	\$ 719 561	14
Median household net worth				
Low net worth	\$ 26 083	\$ 27 510	\$ 30 000	9
Middle net worth	\$ 349 716	\$ 381 424	\$ 425 502	12
High net worth	\$ 1 175 212	\$ 1 302 193	\$ 1 474 854	13
All households	\$ 349 716	\$ 381 424	\$ 425 502	12
Percentage share received by households				
Low net worth	% 1.0	% 1.0	% 0.9	-
Middle net worth	% 12.7	% 12.1	% 11.9	-
High net worth	% 59.0	% 61.1	% 61.8	-

- nil or rounded to zero (including null cells)  
 (a) In 2009-10 dollars, adjusted using changes in the Consumer Price Index

## Wealth and income

The range of wealth levels is wider than the range of income levels, as can be seen by analysing percentile ratios. For example, the value of P80 for household net worth (i.e. the level of net worth dividing the bottom 80% of all households from the top 20%) was 10.9 times higher than the P20 for household net worth (i.e. dividing the bottom 20% from the rest). The corresponding P80/P20 ratio for gross household income was 4.4 (table S4).

### S4. Selected distribution indicators, Household net worth and gross household income - 2009-10

		Household net worth(a)	Gross household income(a)
Ratio of values at top of selected percentiles			
P90/P10	ratio	49.16	9.14
P80/P20	ratio	10.93	4.42
P80/P50	ratio	2.24	1.89
P20/P50	ratio	0.20	0.43
Percentage share received by households in			
Lowest net worth quintile	%	0.9	12.2
Middle net worth quintile	%	11.9	17.3
Highest net worth quintile	%	61.8	31.6
Percentage share received by households in			
Lowest gross income quintile	%	12.6	4.3
Medium gross income quintile	%	16.1	15.7
Highest gross income quintile	%	39.8	46.7

(a) Quintile and percentile boundaries are derived separately for household net worth and gross household income. For information about the derivation of quintiles, percentiles and mean values for these data items, see Appendix 1

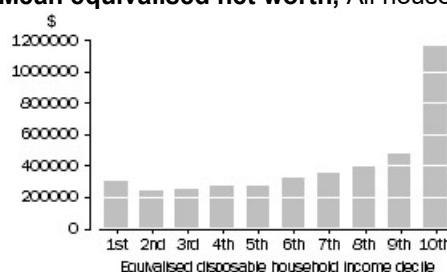
Wealth is distributed between households somewhat differently to income. While the 20% of households comprising the lowest net worth quintile accounted for only 1% of total household net worth, they accounted for 12% of total gross household income. The 20% of households comprising the lowest gross household income quintile accounted for 4% of total gross household income but 13% of total net worth (table S4).

The differences in the distribution of wealth and income partly reflect the common pattern of wealth being accumulated during a person's working life and then being utilised during retirement. Therefore many households with relatively low wealth have relatively high income, especially if they are younger households. Conversely older households may have accumulated relatively high net worth over their lifetimes, but have relatively low income in their retirement.

In addition, some households have low or even negative incomes due to business or investment losses, but still have relatively high levels of net worth.

Graph S5 below shows the relationship between equivalised (i.e. standardised with respect to household size and composition) disposable household income and equivalised net worth deciles. The lowest equivalised income decile had a higher mean equivalised net worth (\$309,000) than the second to fifth equivalised income deciles. Average equivalised net worth of households in the highest (tenth) income decile was more than double that of households in the ninth income decile (\$1,158,000 and \$477,000 respectively).

**S5. Mean equivalised net worth, All households**



## Household characteristics

Households with different characteristics tend to have different levels of net worth, as shown in table 7 of the publication, and summarised in the following table (S6). Low net worth households had lower equivalised disposable household income compared to middle and high net worth households (\$579 per week, compared with \$752 and \$1215 per week, respectively).

High net worth households had the highest incidence of full ownership of their home (61%), whereas 91% of the households in the lowest net worth quintile were renters. High net worth households contained more people on average (2.8) than the low and middle net worth groups (2.4 and 2.5) and more employed persons on average (1.6) compared with low and middle net worth households (0.9 and 1.2, respectively) (table 7).

The household reference person in the high net worth group was older, on average, than the reference person in low net worth households (57 years and 41 years respectively), reflecting that wealth generally accumulates with age.

#### S6. Household characteristics, Net worth groups - 2009-10

		Low net worth	Middle net worth	High net worth
Mean net worth	\$	31 829	427 168	2 223 013
Mean gross income per week	\$	1 026	1 462	2 665
Mean equivalised disposable household income per week	\$	579	752	1 215
Owns home without a mortgage	%	*0.4	39.4	61.1
Owns home with a mortgage	%	3.8	51.7	34.2
Rents from a private landlord	%	70.2	7.4	3.0
Rents from a state/territory housing authority	%	17.4	**0.1	**0.1
Average number of persons in the household	no.	2.4	2.5	2.8
Average number of employed persons in the household	no.	0.9	1.2	1.6
Average age of reference person in the household	years	41	53	57

\* estimate has a relative standard error of 25% to 50% and should be used with caution

\*\* estimate has a relative standard error greater than 50% and is considered too unreliable for general use

#### Life cycle stages

A typical life cycle includes childhood, early adulthood and the forming and maturing of families, as illustrated in tables 22 and 23 of the publication. Other family situations and compositions are shown in tables 20 and 21. The following table compares households in different life cycle stages (S7).

#### S7. Net worth and household characteristics, For selected life cycle groups - 2009-10

	Number of households	Average number of persons	Mean household net worth	Mean gross household income per week	Proportion owning home without a mortgage	Proportion owning a mortgage	Proportion
	'000	no.	\$'000	\$	%	%	
Lone person aged under 35	330.5	1.0	151	1 152	3.5	31.6	
Couple only reference person aged under 35	469.1	2.0	237	2 128	1.7	47.0	
Couple with dependent children only							
Eldest child aged under 5	446.2	3.4	484	1 953	5.9	57.8	
Eldest child aged 5 to 14	846.8	4.2	747	2 341	10.6	64.1	
Eldest child aged 15 to 24	551.7	4.1	1 206	2 742	23.3	62.6	
Total	1 844.7	4.0	821	2 367	13.2	62.1	
Couple with							
Dependent and non-dependent children only	283.3	4.7	892	2 897	22.8	61.3	
Non-dependent children only	473.3	3.3	1 104	2 478	50.4	40.7	
Couple only reference person aged 55 to 64	542.4	2.0	1 317	1 584	57.4	32.6	
Couple only reference person aged 65 and over	741.6	2.0	1 111	919	84.0	7.3	
Lone person aged 65 and over	742.0	1.0	572	485	71.8	4.1	
One parent one family households with dependent children	535.2	3.1	276	1 085	11.7	28.2	

Of the selected life cycle groups, the group with the highest mean household net worth was couple only, reference

person aged 55 to 64 (\$1,317,000). Many of these people are either nearing the end of their time in the labour force or have recently retired, that is, they are at the end of the main wealth accumulation period. People over 65 had lower net worth on average (\$1,111,000 for couples and \$572,000 for lone persons), at least partly reflecting a rundown of assets to support consumption in retirement. These older cohorts may also have had less opportunity for capital accumulation in earlier decades, for example, because women had lower participation rates in the paid work force (table S7).

Lone persons aged under 35 had the lowest mean household net worth, at \$151,000. The mean household net worth of couple only households with a reference person aged under 35 was \$237,000 (or \$119,000 per person) (table 22). These couple only households had almost twice the level of mean gross household income of the young lone person household (\$2,128 per week compared with \$1,152 per week). The mean age of the household reference person in both household types was 28, that is, they had had the same amount of time on average to accumulate wealth (table 23).

One parent, one family households with dependent children had a mean net worth of \$276,000, compared to \$827,000 for couple family households with dependent children (table 20). Differences in relative age did not contribute significantly to this substantial difference in net worth, since the average age of parent was 41 years for the one parent families and 42 years for couple families. Home ownership for the one parent family households was about half that of the couple family households (40% and 77% respectively) (table 21).

### Tenure and landlord type

There is a strong correlation between net worth and home ownership, and for many households, their dwelling is their main asset.

Owners without a mortgage had the highest mean net worth (\$1,179,000) which is 64% higher than the mean net worth of all households (\$720,000). The mean net value of owner occupied dwellings for this group was \$541,000 or 46% of their total mean net worth (table 18).

Owners with a mortgage also had higher mean net worth (\$770,000) than the average for all households. This group also had higher liabilities than the average for all households (\$263,000 compared with \$120,000). Almost three-quarters (72%) of their liabilities were from the principal outstanding on loans for owner occupied dwellings (table 18).

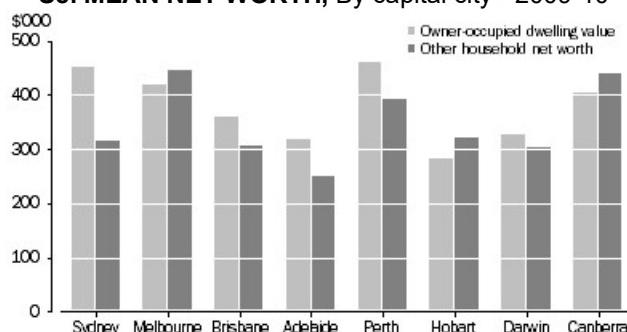
Renters had lower mean net worth (\$158,000) which is 22% of the average for all households. Private renters averaged net worth of \$176,000, while renters from state/territory housing authorities averaged net worth of \$42,000 (table 18).

### States and territories

Household net worth varies between states and territories and between capital cities and elsewhere. In 2009-10, South Australian households recorded the lowest mean net worth at \$585,000, or 23% below the average for all Australian households (table 30). Melbourne households had a mean net worth of \$866,000, 12% above the capital city average of \$772,000 (table 26) and 20% above the average for all Australian households of \$720,000 (table 30). The mean net worth of \$772,000 for capital city households (table 26) was 23% above the mean for households in the remainder of Australia of \$629,000 (table 28).

In nearly all capital cities, over half of the value of average household net worth was accounted for by the value of owner occupied dwellings (table 26), as shown in the following graph (S8).

**S8. MEAN NET WORTH, By capital city - 2009-10**



## About this Release

Provides estimates of household net worth, or wealth, classified by various characteristics. Also includes summary measures of the distribution of household net worth in Australia. Classifications used to describe households include net worth quintile, income quintile, principal source of household income, family composition, tenure type, and geographic location. For each category of household, estimates of the various assets and liabilities comprising net worth are provided, along with estimates of household income, household size, and other characteristics.

## History of Changes

This document was added or updated on 19/10/2011.

**19/10/2011** The datacubes for this publication have been released. These datacubes include the RSEs for the estimates published in **Household Wealth and Wealth Distribution, Australia, 2009-10**.

**21/10/2011** The publication **Household Wealth and Wealth Distribution, Australia, 2009-10** has been updated to correct some errors in the list of tables. No other changes were made.

**21/10/2011** The media release for this publication has been amended to reference the 2009-10 issue of this publication.

## Explanatory Notes

### Explanatory Notes

#### EXPLANATORY NOTES

##### INTRODUCTION

**1** This publication presents a summary of findings about household wealth and wealth distribution in Australia compiled from the 2009-10 Survey of Income and Housing (SIH). The survey collected detailed information about the income, assets, liabilities and household characteristics of persons aged 15 years and over resident in private dwellings throughout Australia. In this publication, net worth is the main measure used to describe wealth.

**2** This is the third issue of this publication. Detailed wealth data were collected for the first time in the 2003-04 SIH and again in the 2005-06 SIH. Comprehensive wealth data were not collected in the 2007-08 SIH, however the value of owner occupied dwellings is available. In 2007-08, owner occupied dwellings accounted for 44% of total average household assets for all households.

**3** The statistics in this publication present a broad overview of household wealth data. Emphasis has been given to highlighting the differing household wealth compositions and distributions revealed when mean household wealth is cross-classified by various household characteristics, such as income levels and sources, family composition of the household, geographic location and reference person characteristics.

##### Survey of Income and Housing

**4** The SIH was conducted continuously from 1994-95 to 1997-98, and then in 1999-2000, 2000-2001, 2002-2003, 2003-04, 2005-06, 2007-08 and 2009-10. The 2009-10 SIH collected information from a sample of 18,071 households over the period July 2009 to June 2010. The SIH is now conducted every two years.

**5** The 2009-10 SIH was integrated with the Household Expenditure Survey (HES), as it was in 2003-04. The 2007-08 SIH was run as a stand alone survey, as it was in 2005-06 and will be again in 2011-12. Comprehensive wealth data were not collected in the 2007-08 SIH.

**6** Wealth data collected in the 2009-10 SIH was largely a repeat of that collected in the 2005-06 SIH.

##### CHANGES IN THIS ISSUE

**7 Key changes in this issue include:**

- an increase in the sample size from 9,961 households in 2005-06 to 18,071 households in 2009-10 due to an expansion in the SIH sample for an extra 4,200 households, located outside capital cities as well as an additional sample of metropolitan households whose main source of income was a government pension, benefit and/or allowance
- the inclusion of a benchmark for the value of government benefit cash transfers to ensure that the survey estimate of government benefit cash transfers is maintained at a proportion of aggregate benefit cash transfers that is consistent with previous SIH cycles (this benchmark was last used in the 2000-01 SIH)
- improvements to the collection of the value of assets in public unit trusts and private trusts
- disability questions for persons aged 15 years and over were asked for the first time.

**Changes to the survey sample**

**8** The May 2009 Budget funded an expansion in the SIH sample for an extra 4,200 households, located outside capital cities. This expansion was to better support Council of Australian Governments (COAG) performance indicator reporting, particularly in regard to housing affordability and home ownership measures required under COAG intergovernmental agreements.

**9** For the 2009-10 SIH and HES there was an additional sample of metropolitan households whose main source of income was government pension, benefit and/or allowance. These pensioner households were enumerated using a separate sample design, but the fully responding in-scope households from the sample were included in the final SIH and HES sample. The main purpose of the inclusion of this additional sample was for the development of a Pensioner and Beneficiary Living Cost Index (PBLCI), which is part of the revised process for indexing age and other pensions. The pensioner sample supports improved commodity weighting for the PBLCI to better reflect the different expenditure patterns of pensioner households compared with the general population.

**Income measures**

**10** In 2007-08 the ABS revised its standards for household income statistics following the adoption of new international standards in 2004 and review of aspects of the collection and dissemination of income data. The 2009-10 income estimates apply the new income standards.

**11** To the extent possible, the estimates for 2003-04 and 2005-06 shown in the time series tables in this publication also reflect the new treatments.

**12** For more detail on the nature and impact of the changes on the income data see Appendix 4 of **Household Income and Income Distribution, Australia, 2007-08** (cat. no. 6523.0).

**CONCEPTS AND DEFINITIONS**

**13** The concepts and definitions relating to statistics of income and net worth are described in the following section. Other definitions are included in the Glossary.

**Households**

**14** The household is the basic unit of analysis in this publication. A household consists of one or more persons, at least one of whom is at least 15 years of age, usually resident in the same private dwelling. The persons in a household may or may not be related. They must live wholly within one dwelling.

**15** The household is adopted as the basic unit of analysis because it is assumed that sharing of the use of goods and services occurs at this level. If smaller units, say persons, are adopted, then it is difficult to know how to attribute to individual household members the use of shared items such as food, accommodation and household goods. Intra-household transfers, however, are excluded. For example, if one member of the household were to pay board to another member of the same household then this is not considered as an increase in the amount of income or housing costs of the household. If such transfers were to be included there would be double counting.

**Income**

**16** Household income consists of all current receipts, whether monetary or in kind, that are received by the household or by individual members of the household, and which are available for, or intended to support, current

consumption.

**17** Income includes receipts from:

- wages and salaries and other receipts from employment (whether from an employer or own incorporated enterprise), including income provided as part of salary sacrifice and/or salary package arrangements
- profit/loss from own unincorporated business (including partnerships)
- net investment income (interest, rent, dividends, royalties)
- government pensions and allowances
- private transfers (e.g. superannuation, regular workers' compensation, income from annuities, child support, and financial support received from family members not living in the same household).

**18** Receipts of family tax benefit are treated as income, regardless of whether they are received fortnightly or as a lump sum. The aged persons' savings bonus and self-funded retirees' supplementary bonus, paid as part of the introduction of The New Tax System in 2000-01 are regarded as capital transfers as they were designed to help retired people maintain the value of their savings and investments following the introduction of the GST. However, the one-off payment to older Australians paid in 2000-01, 2005-06 and 2007-08, the one-off payment to families paid since 2003-04, and the one-off payments to carers paid since 2003-04, are included as income as they were primarily a supplement to existing income support payments. The maternity payment introduced in July 2004, now referred to as the Baby Bonus, is also included as income.

**19** The one-off stimulus payments paid in 2008-09 and 2009-10 based on 2007-08 taxable income are also included as income. These stimulus payments include the one-off payments from the Family Assistance Office of the single income family bonus, back to school bonus and the additional family tax benefit (FTB) Part A payment of \$1,000 per child. These also include stimulus payments from the Australian Taxation Office which were one-off income based payments of either \$250, \$600 or \$900 and the Centrelink assistance payments to health care card holder, carers, farmer hardship payment and the training and learning bonus.

**Gross income**

**20** Gross income is the sum of the income from all sources before income tax and the Medicare levy have been deducted. Prior to 2005-06 family tax benefit paid through the tax system or as a lump sum was excluded from gross income for practical reasons. Since 2005-06 these payments have been included in gross income.

**Disposable income**

**21** Disposable income better represents the economic resources available to meet the needs of households. It is derived by deducting estimates of personal income tax and the Medicare levy from gross income. The Medicare levy surcharge has also been deducted in 2009-10.

**22** Income tax is estimated for all households using taxation criteria for 2009-10 and the income and other characteristics of household members reported in the survey.

**23** Prior to 2005-06 the derivation of disposable income also included the addition of family tax benefit paid through the tax system or as a lump sum by Centrelink since for practical reasons it was not included in the gross income estimates.

**Equivalised disposable income**

**24** In most tables in this publication, gross household income (as described in the previous paragraphs) is presented along with estimates of net worth. However, when using income as an approximate means of ranking households according to their relative standards of living (as in tables 1, 10 and 11), it is more appropriate to use equivalised disposable household income.

**25** Equivalised disposable household income is calculated by adjusting disposable household income by the application of an equivalence scale. This adjustment reflects the requirement for a larger household to have a higher level of income to achieve the same standard of living as a smaller household. Where disposable income is negative, equivalised disposable income is set to zero.

**26** When household income is adjusted according to an equivalence scale, the equivalised income can be viewed as an indicator of the economic resources available to a standardised household. For a lone person household, it is equal to income received. For a household comprising more than one person, equivalised income is an indicator of the household income that would be required by a lone person household in order to enjoy the same level of economic wellbeing as the household in question.

**27** For more information on the use of equivalence scales, see Appendix 3 in **Household Income and Income Distribution, Australia, 2009 -10** (cat. no. 6523.0).

### **Lowest income decile**

**28** While equivalised income generally provides a useful indicator of economic wellbeing, there are some circumstances which present particular difficulties. Some households report extremely low and even negative income in the survey, which places them well below the safety net of income support provided by social security pensions and allowances. Households at all income levels may underreport their incomes in the survey, including low income households. However, households can correctly report low levels of income if they incur losses in their unincorporated business or have negative returns from their other investments.

**29** Studies of income and expenditure reported in HES surveys have shown that such households in the bottom income decile and with negative gross incomes tend to have expenditure levels that are comparable to those of households with higher income levels (and slightly above the average expenditures recorded for the fifth income decile). This suggests that these households have access to economic resources such as wealth, or that the instance of low or negative income is temporary, perhaps reflecting business or investment start up. Other households in the lowest income decile in past surveys had average incomes at about the level of the single pension rate, were predominantly single person households, and their main source of income was largely government pensions and allowances. However, on average, these households also had expenditures above the average of the households in the second income decile, which is not inconsistent with the use of assets to maintain a higher standard of living than implied by their incomes alone.

**30** It can therefore be reasonably concluded that many of the households included in the lowest income decile are unlikely to be suffering extremely low levels of economic wellbeing. Income distribution analysis may lead to inappropriate conclusions if such households are used as the basis for assessing low levels of economic wellbeing. For this reason, tables showing statistics classified by equivalised income quintile include a supplementary category comprising the second and third income deciles, which can be used as an alternative to the lowest income quintile. (For an explanation of quintiles and deciles, see Appendix 1.)

**31** Whenever a HES is conducted, analysis of households in the lowest income decile can be improved through direct observation of the expenditure and net worth of these households. An examination of the characteristics and economic circumstances of people living in households with low economic resources - low income, low wealth, both low income and low wealth - is included in the feature article in this publication.

### **Net worth**

**32** Net worth, often referred to as wealth, is the value of a household's assets less the value of its liabilities. Assets can take many forms including:

- produced tangible fixed assets that are used repeatedly and for more than one year, such as dwellings and their contents, vehicles, and machinery and equipment used in businesses owned by households
- intangible fixed assets such as computer software and artistic originals
- business inventories of goods
- non-produced assets such as land
- financial assets such as bank deposits, shares, superannuation account balances, and the outstanding value of loans made to other households or businesses.

**33** Liabilities are primarily the value of loans outstanding including:

- mortgages
- investment loans
- credit card debt
- borrowings from other households
- debt on other loans such as personal loans to purchase vehicles and study loans.

**34** In SIH, some asset and liability data are collected on a net basis rather than collecting for each component listed above. In particular, if a survey respondent owned or part owned a business, they were asked how much they would receive if they sold their share of the business and paid off any outstanding debts.

**35** Outstanding loans reflect the amount owing for an asset. The equity held in an asset may increase over time as an outstanding loan amount is reduced (e.g. the value of a dwelling with relation to the loan amount outstanding on that dwelling). Where only the proportion of a loan is used for a purpose, only the proportion outstanding for this purpose is included. The proportioning of loans applies to all of the examples mentioned in this publication,

particularly in the paragraphs below.

**36** Value of property estimates include the value of any associated land which would be included in the sale of the dwelling if it were sold (for separate houses it includes value of land, for caravans it includes value of site if owned by the household, for farm dwellings it includes home paddock). The estimated value is reported by the household respondent.

### **Equivalised net worth**

**37** Equivalised net worth is calculated by adjusting net worth by the application of an equivalence scale. The same equivalence scale and methodology is applied to calculate equivalised net worth as has been described for calculating equivalised disposable income in these Explanatory notes.

### **Relationship between net worth and income**

**38** The tables in this publication provides information about the net worth and income of households, but it would be misleading to assume that household net worth and household income necessarily have a positive relationship. Higher income households may have higher wealth as wealthier households have more assets to earn income and higher income households also have a higher propensity to save.

**39** However, household net worth is also dependent on other characteristics such as life cycle effects, family composition, etc. The differences in the distribution of wealth and income partly reflect the common pattern of wealth being accumulated during a person's working life, and then being utilised during retirement. Some households with relatively low wealth have relatively high income, especially if they are younger households. Conversely older households may have accumulated relatively high net worth over their lifetimes, but have relatively low income in their retirement.

### **Relationship between net worth from SIH and from the Australian System of National Accounts**

**40** This publication contains estimates of the wealth of Australian households compiled from data collected in the SIH. The Australian System of National Accounts (ASNA) also provide estimates of the net worth of the household sector. Appendix 3 compares wealth data from the two data sets and describes and quantifies some of the major scope, definitional and methodological differences between the two.

## **SURVEY METHODOLOGY**

### **Scope**

**41** The survey collects information by personal interview from usual residents of private dwellings in urban and rural areas of Australia (excluding very remote areas), covering about 97% of the people living in Australia. Private dwellings are houses, flats, home units, caravans, garages, tents and other structures that were used as places of residence at the time of interview. Long-stay caravan parks are also included. These are distinct from non-private dwellings which include hotels, boarding schools, boarding houses and institutions. Residents of non-private dwellings are excluded.

**42** Usual residents excludes:

- households which contain members of non-Australian defence forces stationed in Australia
- households which contain diplomatic personnel of overseas governments
- households in collection districts defined as very remote - this has only a minor impact on aggregate estimates except in the Northern Territory where such households account for about 23% of the population.

### **Data collection**

**43** Information for each household was collected using:

- a household level computer assisted interview questionnaire which collected information on household characteristics, and some assets and liabilities
- an individual level computer assisted interview questionnaire which collected information on income, some assets and liabilities, child care costs, and other personal characteristics from each usual resident aged 15 years and over.

**44** Sample copies of the above documents are included in the **Household Expenditure Survey and Survey of Income and Housing, User Guide, Australia, 2009-10** (cat. no. 6503.0).

### Sample design

**45** The sample was designed to produce reliable estimates for broad aggregates for households resident in private dwellings aggregated for Australia, for each state and for the capital cities in each state and territory. More detailed estimates should be used with caution, especially for Tasmania, the Northern Territory and the Australian Capital Territory (see Appendix 2).

**46** The SIH sample was designed in conjunction with the HES. In the combined sample, some dwellings were selected to complete both the SIH questionnaire and the HES questionnaire, while other dwellings were selected to complete the SIH questionnaire only. Dwellings were selected through a stratified, multistage cluster design from the private dwelling framework of the ABS Population Survey Master Sample. Selections were distributed across a twelve month enumeration period so that the survey results are representative of income and expenditure patterns across the year.

**47** For the 2009-10 SIH and HES there was an additional sample of metropolitan households whose main source of income was government pensions, benefits and/or allowances. These households were enumerated using a separate sample design.

**48** In the pensioner sample, dwellings were selected via two phase sampling to complete the HES questionnaire. To target the pensioner households the 2006 Census information was used to identify areas where the number of households that were more likely to belong to the target population were higher. This frame prediction was then updated for known deficiencies and changes to the Australian population since 2006. Selections of small geographic (meshblock) first stage units were made to avoid overlap with the population master sample and distributed across a ten month enumeration period from September 2009 to July 2010.

### Non-responding households

**49** For the SIH (excluding the additional pensioner sample) there were 18,285 households in the scope of the survey. Of these, 3,421 did not respond at all to the questionnaire, or did not respond adequately. Of these 3,421 households, 33% were not able to be contacted during the survey enumeration and 49% were contacted but either refused to respond or were not able to respond. The remainder of these households included:

- households affected by death or illness of a household member
- households in which the significant person(s) in the household did not respond because they had language problems or refused to participate
- households in which the significant person(s) did not respond to key questions.

**50** For the additional pensioner sample 42,913 dwellings were approached to screen for inclusion in the sample.

- of these 42,913 dwellings, 5,522 dwellings (13%) were non-contacts and 918 (2%) refused to answer the screening questions. This resulted in 36,473 dwellings screened for potential interview
- of these 36,473 dwellings, 31,439 were screened as out of scope for pensioner sample (i.e. the respondent identified the household's main source of income as a source other than government pensions or benefits). This resulted in 5,034 dwellings identified for interview
- of these 5,034 dwellings, 230 (5%) were identified as sample loss at the point of interview (e.g. all usual residents out of scope), leaving 4,804 dwellings identified as being in scope and selected for interview. Of these, 3,434 dwellings (71%) were fully responding. Taking into account the two phase sample design, the overall coverage rate was about 47% of expected pensioner households with respect to the design frame.

### Partial response and imputation

**51** Some households did not supply all the required information but supplied sufficient information to be retained in the sample. Such partial response occurs when:

- income or other data in a questionnaire are missing from one or more non-significant person's records because they are unable or unwilling to provide the data
- all key questions are answered by the significant person(s) but other data are missing
- not every person aged 15 years or over residing in the household respondents but the significant person(s) provide answers to all key questions.

**52** In the first two cases, the data provided are retained and the missing data are imputed by replacing each missing value with a value reported by another person (referred to as the donor).

**53** For the third type of partial response, the data for the persons who did respond are retained, and data for each missing person are provided by imputing data values equivalent to those of a fully responding person (the donor).

**54** Donor records are selected by finding fully responding persons with matching information on various characteristics (such as state, sex, age, labour force status and income) as the person with missing information. As far as possible, the imputed information is an appropriate proxy for the information that is missing. Depending on which values are to be imputed, donors are randomly chosen from the pool of individual records with complete information for the block of questions where the missing information occurs.

**55** The final sample includes 5,419 households which had at least one imputed value in income or child care expenses. For 54% of these households only a single value was missing, and most of these were for income from interest and investments or information relating to household loans.

### Final sample

**56** The final sample on which estimates were based is composed of persons for which all necessary information is available. The information may have been wholly provided at the interview (fully responding) or may have been completed through imputation for partially responding households. Of the selected dwellings, there were 18,285 in the scope of the survey, of which 14,864 (81%) were included as part of the final estimates. For the additional pensioner sample 4,804 dwellings were identified as being in scope, of which 3,207 dwellings (67%) were included on the final file. The final combined sample consists of those 18,071 households, comprising 33,999 persons aged 15 years and over.

**SIH FINAL SAMPLE: NUMBER OF HOUSEHOLDS, 2009-10**

	Capital City Households no.	Persons(a) no.	Balance of State Households no.	Persons(a) no.	Total Households no.	Persons(a) no.
NSW	2 245	4 294	1 069	2 071	3 314	6 365
Vic.	2 027	3 834	1 079	2 018	3 106	5 852
Qld	1 588	2 991	1 115	2 155	2 703	5 146
SA	1 686	3 043	1 114	2 079	2 800	5 122
WA	1 532	2 800	1 212	2 321	2 744	5 121
Tas.	779	1 399	1 085	2 049	1 864	3 448
NT	505	927	73	127	578	1 054
ACT	962	1 891	-	-	962	1 891
Aust.	11 324	21 179	6 747	12 820	18 071	33 999

- nil or rounded to zero (including null cells)

(a) Number of persons aged 15 years and over

### Weighting

**57** Weighting is the process of adjusting results from a sample survey to infer results for the total in scope population whether that be persons or households. To do this, a 'weight' is allocated to each sample unit e.g. a person or a household. The weight is a value which indicates how many population units are represented by the sample unit. The first step in calculating weights for each unit is to assign an initial weight, which is the inverse of the probability of being selected in the survey. For example, if the probability of a household being selected in the survey was 1 in 600, then the household would have an initial weight of 600 (that is, it represents 600 households).

**58** An adjustment is then made to the initial weights to account for changes in the sample across the four quarters of survey enumeration; the sum of the weights after this initial adjustment of households in each quarter is equal.

**59** The initial weights are then calibrated to align with independent estimates of the population of interest, referred to as 'benchmarks'. Weights calibrated against population benchmarks ensure that the survey estimates conform to the independently estimated distribution of the population rather than to the distribution within the sample itself.

**60** In the 2009-10 SIH, all persons in each household were assigned a weight. This differs from the 2005-06 SIH where children aged 0-14 years were not given separate weights, but household counts of the number of children were benchmarked to population totals.

**61** The SIH was benchmarked to the in scope estimated resident population (ERP) and the estimated number of households in the population. The 2009-10 SIH used population and household benchmarks based on the 2006 Census.

**62** The benchmarks used in the calibration of the final weights for the 2009-10 SIH were:

- number of persons -
  - by state or territory by age by sex
  - by five year age groups up to 80+ years for all States and Territories (excluding NT)
  - by five year age groups up to 70+ years for the NT
  - by state or the ACT by labour force status ('Employed', 'Unemployed' and 'Not in the labour force')
  - by state by capital city/balance of state (excluding NT and ACT which use only State)
- numbers of households -
  - by household composition (number of adults (1,2 or 3+) and whether or not the household contains children) (excluding NT which uses only number of adults of 1+)
  - the value of government benefit cash transfers.

**63** More detailed age groupings have been used where possible in benchmarking 2009-10 SIH results.

**64** The benchmark for the value of government benefit cash transfers was used for 2009-10 because, without it, the survey estimates of the number of people receiving income from government benefit cash transfers was lower (81%) than the expected 85% coverage of payments reported by the Department of Family and Community Services, the Department of Veterans' Affairs and the Department of Education, Employment and Workplace Relations. This benchmark was last used in compiling results from the 2000-01 SIH. The benchmark is intended to address likely differences between the characteristics of people who responded to the survey and the characteristics of those who did not respond. The economic circumstances prior to the 2009-10 SIH collection saw strong growth in the numbers of recipients for the age pension and disability support pension. Introducing an additional benchmark is a means of addressing this. The benchmark ensured that the survey estimate of government benefit cash transfers is maintained at a proportion of aggregate benefit cash transfers that is consistent with previous SIH cycles.

**65** The independent person and household benchmarks are based on demography estimates of numbers of persons and households in Australia. The benchmarks are adjusted to include persons and households residing in private dwellings only and to exclude persons living in very remote areas, and therefore do not, and are not intended to, match estimates of the Australian resident population published in other ABS publications.

**66** In weighting the pensioner sample, independent initial probability weights were assigned to the pensioner sample as it was selected separately from the SIH sample. The initial probability weights were then adjusted by the results of the first phase screening results with respect to the observed proportion of identified screened pensioner households. This pensioner sample was only able to be collected in three of the four quarters of SIH enumeration and the initial probability weights were adjusted accordingly.

**67** The pensioner weighted estimates for persons and households were calibrated to the main SIH sample estimates of persons, households, and total weekly household income.

**68** Composite estimation was used to obtain the optimal proportions for combining the pensioner sample and main SIH sample for age pensioner households and other pension beneficiary households at a state by quarter of enumeration level. For more details see **Household Expenditure Survey and Survey of Income and Housing, User Guide, Australia, 2009-10** (cat. no. 6503.0).

## Estimation

**69** Estimates produced from the survey are usually in the form of averages (e.g. mean household net worth of couple households with dependent children), or counts (e.g. total number of households that own their dwelling). For counts of households, the estimate was obtained by summing the weights for the responding households in the required group (e.g. those owning their own dwelling). For counts of persons, the household weights were multiplied by the number of persons in the household before summing. The SIH collects data on the number of people, including children, in each household but separate records with income and most detailed data were only collected for people 15 years and older.

**70** Estimates of mean net worth are obtained by multiplying the net worth of each household by the weight of the household, summing across all households and then dividing by the estimated number of households.

**71** Average income values are obtained in two different ways, depending on whether mean gross household income or mean equivalised disposable household income is being derived. Estimates of mean gross household income are calculated on a household weighted basis. They are obtained by multiplying the gross income of each household by the weight of the household, summing across all households and then dividing by the estimated number of households. For example, the mean gross household income of couple households with dependent children is the weighted sum of the gross income of each such household divided by the estimated number of those

households.

**72** Estimates of mean equivalised disposable household income are calculated on a person weighted basis. They are obtained by multiplying the equivalised disposable income of each household by the number of people in the household (including children) and by the weight of the household, summing across all households and then dividing by the estimated number of people in the population group. For more information on differences between mean gross household income calculated on a household weighted basis and mean equivalised disposable household income calculated on a person weighted basis, see Appendix 3 in **Household Income and Income Distribution, Australia, 2009-10** (cat. no. 6523.0).

## RELIABILITY OF ESTIMATES

**73** The estimates provided in this publication are subject to two types of error, non-sampling and sampling error.

### Non-sampling error

**74** Non-sampling error can occur in any collection, whether the estimates are derived from a sample or from a complete collection such as a census. Sources of non-sampling error include non-response, errors in reporting by respondents or recording of answers by interviewers and errors in coding and processing the data.

**75** Non-sampling errors are difficult to quantify in any collection. However, every effort is made to reduce non-sampling error to a minimum by careful design and testing of the questionnaire, training of interviewers and data entry staff and extensive editing and quality control procedures at all stages of data processing.

**76** One of the main sources of non-sampling error is non-response by persons selected in the survey. Non-response occurs when people cannot or will not cooperate or cannot be contacted. Non-response can affect the reliability of results and can introduce a bias. The magnitude of any bias depends upon the level of non-response and the extent of the difference between the characteristics of those people who responded to the survey and those who did not.

**77** The following methods were adopted to reduce the level and impact of non-response:

- Primary Approach Letters (PALS) were posted to selected SIH and HES households prior to enumeration
- document cards were provided to respondents to suggest having financial statements and similar documents handy at the time of interview to assist with accurate responses
- face-to-face interviews with respondents
- the use of interviewers who could speak languages other than English, where necessary
- Proxy Interviews conducted when consent is given, with a responsible person answering on behalf of a respondent incapable of doing so themselves
- follow-up of respondents if there was initially no response
- imputation of missing values
- ensuring that the weighted data is representative of the population (in terms of demographic characteristics) by aligning the estimates with population benchmarks.

### Sampling error

**78** The estimates are based on a sample of possible observations and are subject to sampling variability. The estimates may therefore differ from the figures that would have been produced if information had been collected for all households. A measure of the sampling error for a given estimate is provided by the standard error, which may be expressed as a percentage of the estimate (relative standard error). Further information on sampling error is provided in Appendix 2.

## ACKNOWLEDGMENT

**79** ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated: without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the **Census and Statistics Act 1905**.

## SPECIAL DATA SERVICES

**80** The ABS offers specialist consultancy services to assist clients with more complex statistical information needs.

Clients may wish to have the unit record data analysed according to their own needs, or require tailored tables incorporating data items and populations as requested by them. Tables and other analytical outputs can be made available electronically or in printed form. However, as the level of detail or disaggregation increases with detailed requests, the number of contributors to data cells decreases. This may result in some requested information not being able to be released due to confidentiality or sampling variability constraints. All specialist consultancy services attract a service charge, and clients will be provided with a quote before information is supplied. For further information, contact ABS information consultants on 1300 135 070 from 9:00am to 4:30pm AEST Monday to Friday (International callers +61292684909).

## **UNIT RECORD FILE**

**81** A basic confidentialised unit record file (CURF) from the 2009-10 SIH is available on CD-ROM. A more detailed expanded SIH CURF is also available through the ABS Remote Access Data Laboratory. All clients wishing to access the SIH 2009-10 basic and expanded CURFS should refer to the ABS Website <[www.abs.gov.au](http://www.abs.gov.au)> (see Services, ABS Microdata) and read the Microdata Entry Page, and other linked information, before downloading the appropriate Guide, Application and Undertaking forms and applying for access.

### **Australian universities**

**82** University clients should refer to the ABS web site <[www.abs.gov.au](http://www.abs.gov.au)> (see Services, Services for Universities). The SIH 2009-10 basic and expanded CURFs can be accessed by universities participating in the ABS/Universities Australia Agreement for research and teaching purposes.

### **Other clients**

**83** Other prospective CURF clients should contact the Microdata Access Strategies Section of the ABS at <[microdata.access@abs.gov.au](mailto:microdata.access@abs.gov.au)> or on (02) 6252 7714.

## **RELATED PUBLICATIONS**

**84** Users may wish to refer to the following related ABS products. All can be downloaded free of charge from the ABS website.

**Household Income and Income Distribution, Australia, 2009-10** (cat. no. 6523.0)  
**Household Expenditure Survey, Australia: Summary of Results, 2009-10** (cat. no. 6530.0)  
**Housing Occupancy and Costs, Australia, 2009-10** (cat.no. 4130.0.55.001) is expected to be released November 2011  
**Government Benefits, Taxes and Household Income, Australia, 2009-10** (cat. no. 6537.0) is expected to be released mid 2012  
**Household Expenditure Survey and Survey of Income and Housing, User Guide, Australia, 2009-10** (cat. no. 6503.0)  
**Microdata: Household Expenditure Survey and Survey of Income and Housing - Basic and Expanded CURF, Australia** (cat. no. 6540.0)

## **Glossary**

### **GLOSSARY**

#### **Accounts with financial institutions**

Current balances of the accounts held with banks or any other financial institutions, e.g. credit unions, building societies, insurance companies, finance companies. Examples of types of accounts include: passbook, statement, cheque or term deposit accounts.

#### **Assets**

An entity of a financial or non-financial nature, owned by the household or its members, and from which economic benefits may be derived by holding or use over a period of time.

#### **Balance of state**

That part of each Australian state or territory not defined as capital city. Balance of state estimates for Northern Territory are regarded as too unreliable to publish separately since they exclude collection districts defined as very remote which account for about 23% of the NT population. All of the Australian Capital Territory is defined as capital city for this publication.

### **Bond**

A bond is a certificate of ownership of a specified portion of a debt. May be issued by a government agency or private corporation to individuals or companies and usually bears a fixed interest rate of return on investment.

### **Capital city**

Refers to Australia's six State capital city Statistical Divisions and the Darwin Statistical Division as defined in the [\*\*Australian Standard Geographical Classification \(ASGC\)\*\*](#) (cat. no. 1216.0). For the Australian Capital Territory the estimates relate predominantly to urban areas, and all of the Australian Capital Territory is defined as capital city for this publication.

### **Children's assets**

Any assets owned by children in the household that are not included in the value of the household contents. These assets can be financial (e.g. a child's bank accounts, assets held in trusts, bonds, debenture stock) or can be non-financial such as jewellery or property held in trust for the children.

### **Collection district**

The Census Collection District (CD) is the smallest geographic area defined in the [\*\*Australian Standard Geographical Classification\*\*](#) (cat. no. 1216.0).

### **Consumer Price Index (CPI)**

A general measure of price inflation for the household sector in Australia. Specifically, it provides a measure of changes, over time, in the cost of a constant basket of goods and services acquired by the capital city households in Australia.

### **Contents of dwelling**

This is a non-financial asset and comprises an estimated value of household contents. Examples include: clothing, jewellery, hobby collections, furniture, paintings and works of art, soft furnishings and electrical appliances other than fixtures such as stoves and built-in items.

### **Couple**

See One family households.

### **Couple family with dependent children**

See One family households.

### **Credit card debt**

The amount owing on the respondent's latest credit card account statement (including any government, interest or financial institution charges), irrespective of whether it was paid off by the due date. Includes amounts owing on specialised retail shopping cards as well as general credit cards such as Visa, Mastercard and store credit cards but excludes Visa and Mastercard debit cards.

### **Debenture**

A formal acknowledgement of indebtedness by a company. Interest is paid by the company at specific intervals. A loan or deposit can be called a debenture if it is secured over company assets. Unlike shareholders, debenture holders have a creditor relationship with the company. Instead of dividends, debenture holders receive interest on their debentures which is accounted for by the company as an expense.

### **Deciles**

Groupings that result from ranking all households or persons in the population in ascending order according to some characteristic such as their household income and then dividing the population into 10 equal groups, each comprising 10% of the estimated population.

## **Dependent children**

All persons aged under 15 years; and persons aged 15-24 years who are full-time students, have a parent in the household and do not have a partner or child of their own in the household.

## **Disposable income**

Gross income less income tax, the Medicare levy and the Medicare levy surcharge i.e. remaining income after taxes are deducted, which is available to support consumption and/or saving. Income tax, Medicare levy and the Medicare levy surcharge are imputed based on each person's income and other characteristics as reported in the survey. Disposable income is sometimes referred to as net income.

## **Dwelling**

Defined as a suite of rooms contained within a building which are self-contained and intended for long-term residential use. To be self-contained the suite of rooms must possess cooking and bathing facilities as building fixtures. Examples of types of dwelling include: separate house; semi-detached, row or terrace house or townhouse; flat, unit, or apartment; and other dwelling, including caravan, cabin, houseboat, and house or flat attached to a shop.

## **Employed**

Persons aged 15 years and over who, during the week before the interview:

- worked one hour or more for pay, profit, commission or payment in kind in a job or business, or on a farm (includes employees, employers and own account workers)
- worked one hour or more, without pay, in a family business or on a family farm, or
- had a job, business or farm but was not at work because of holidays, sickness or other reason.

## **Employee**

An employed person who, for most of his/her working hours:

- works for a public or private employer and receives remuneration in wages or salary, or is paid a retainer fee by his/her employer and works on a commission basis, or works for an employer for tips, piece-rates or payment in kind, or
- operates his or her own incorporated business with or without employees.

## **Employer**

A person who operates his or her own unincorporated business or engages independently in a profession or trade, and hires one or more employees.

## **Equivalisation**

Can be applied to disposable income, net worth and expenditure to create equivalised disposable household income, equivalised household net worth, and equivalised household expenditure. Adjustments are made using an equivalence scale. Equivalence measures are used in some analyses to enable comparison of the relative economic wellbeing of households of different size and composition. For a lone person household, the equivalised value is equal to the original value. For a household comprising more than one person, it is an indicator of the level that would be needed by a lone person household to enjoy the same level of economic wellbeing as the household in question. For further information on the process of equivalisation, see Appendix 3 in [Household Income and Income Distribution, Australia, 2009-10](#) (cat. no. 6523.0).

## **Family**

Two or more people, one of whom is at least 15 years of age, who are related by blood, marriage (registered or de facto), adoption, step or fostering and who usually live in the same household. A separate family is formed for each married couple, or for each set of parent-child relationships where only one parent is present.

## **Family composition of household**

Classifies households into three broad groupings based on the number of families present (one family, multiple family and non-family). One family households are further disaggregated according to the type of family (such as couple family or one parent family) and according to whether or not dependent children are present. Non-family households are disaggregated into lone person households and group households.

## **Financial assets**

An asset whose value arises not from its physical existence (as would a building, piece of land, or capital equipment) but from a contractual relationship. Financial assets are mostly financial claims (with the exception of shares). Financial claims entitle the owner to receive a payment, or a series of payments, from an institutional unit to which the owner has provided funds. Examples include accounts held with financial institutions, ownership of an incorporated business, shares, debentures and bonds, trusts, superannuation funds, and loans to other persons.

## **Full-time student**

A person 15 years or over who is classified as a full-time student by the institution they attend, or considers himself/herself to be a full-time student. Full-time study does not preclude employment.

## **Government pensions and allowances**

Income support payments from government to persons under social security and related government programs. Included are pensions and allowances received by aged, disabled, unemployed and sick persons, families and children, veterans or their survivors, and study allowances for students. All overseas pensions and benefits are included here, although some may not be paid by overseas governments. Family Tax Benefit, Baby Bonus and Child Disability Assistance Payment paid to recipients of Carer Allowance are also included in government pensions and allowances.

## **Gross income**

Income from all sources, whether monetary or in kind, before income tax, the Medicare levy and the Medicare levy surcharge are deducted.

## **Group household**

See Non-family households.

## **Household**

A person living alone or a group of related or unrelated people who usually live in the same private dwelling.

## **Income**

Income consists of all current receipts, whether monetary or in kind, that are received by the household or by individual members of the household, and which are available for, or intended to support, current consumption.

Income includes receipts from:

- wages and salaries and other receipts from employment (whether from an employer or own incorporated enterprise), including income provided as part of salary sacrificed and/or salary package arrangements
- profit/loss from own unincorporated business (including partnerships)
- net investment income (interest, rent, dividends, royalties)
- government pensions and allowances
- private transfers (e.g. superannuation, workers' compensation, income from annuities, child support, and financial support received from family members not living in the same household).

Gross income is the sum of the income from all these sources before income tax, the Medicare levy and the Medicare levy surcharge are deducted. Other measures of income are Disposable income and Equivalised disposable household income.

Note that child support and other transfers from other households are not deducted from the incomes of the households making the transfers.

## **Incorporated business**

An incorporated business is a company that has a registered business name with the *Australian Securities and Investment Commission* (ASIC) and a legal status which is separate to that of the individual owners of the business.

## **Investment loan**

A loan taken out for the purpose of financing investment, excluding loans for business purposes and rental property.

## **Labour force status**

Classifies all people aged 15 years and over according to whether they were employed, unemployed or not in the labour force.

## **Landlord type**

For renters, the type of entity to whom rent is paid or with whom the tenure contract or arrangement is made. Renters are classified to one of the following categories:

- state/territory housing authority-where the household pays rent to a state or territory housing authority or trust
- private landlords-where the household pays rent to a real estate agent or to another person not in the same household
- other-where the household pays rent to the owner/manager of a caravan park, an employer (including a government authority), a housing cooperative, a community or church group, or any other body not included elsewhere.

## **Liability**

A liability is an obligation which requires one unit (the debtor) to make a payment or a series of payments to the other unit (the creditor) in certain circumstances specified in a contract between them.

## **Loan**

A form of liability that is created when creditors lend funds directly to debtors. Examples are an overdraft from a bank, money lent by a financial institution with a mortgage over a property as collateral, and personal loans.

## **Loans for owner occupied dwelling**

Principal outstanding on loans used to purchase, build, alter, or make additions to the selected dwelling. Includes money borrowed for a deposit on the selected dwelling, and bridging finance taken out until such time as a loan or mortgage is obtained or the dwelling is bought outright. Where only a proportion of a loan is used for the owner occupied dwelling, only that proportion of the principal outstanding is included.

## **Lone person household**

See Non-family households.

## **Main source of income**

The income source from which the most positive income is received. If total income is nil or negative the main source is undefined. As there are several possible sources, the main source may account for less than 50% of gross income.

## **Mean income**

The total income received by a group of units divided by the number of units in the group. For more detail about household weighted and person weighted means, see [Appendix 1](#).

## **Mean net worth**

The total net worth of a group of units divided by the number of units in the group. For more detail about household weighted and person weighted means, see [Appendix 1](#).

## **Median income**

That level of income which divides the units in a group into two equal parts, one half having incomes above the median and the other half having incomes below the median.

## **Median net worth**

That level of net worth which divides the units in a group into two equal parts, one half having net worth above the median and the other half having net worth below the median.

## **Medicare levy**

Medicare is Australia's universal health care system. The Medicare levy is a specific tax, based on individual

income, intended to assist in the funding of this system.

### **Medicare levy surcharge**

The Medicare levy surcharge is a levy, or an additional tax, on Australian taxpayers who do not have an appropriate level of private hospital insurance and who are earning more than the specified income threshold.

### **Multiple family household**

A household containing two or more families. Unrelated individuals may also be present.

### **Negative income**

Income may be negative when a loss accrues to a household as an owner or partner in unincorporated businesses, rental properties or other investment income. Losses occur when operating expenses and depreciation are greater than gross receipts.

### **Negative net worth**

Net worth may be negative when household liabilities exceed household assets.

### **Net worth**

Net worth is the value of a household's assets less the value of its liabilities. Net worth may be negative when household liabilities exceed household assets. For further information refer to the Explanatory Notes.

### **Non-dependent children**

All people aged 15 years and over who:

- do not have a spouse or offspring of their own in the household
- have a parent in the household
- are not full-time students aged 15-24 years.

### **Non-family household**

A household that consists of unrelated persons only. Non-family households are classified to one of the following categories:

- group household - a household consisting of two or more unrelated persons where all persons are aged 15 years and over. There are no reported couple relationships, parent-child relationships or other blood relationships in these households.
- lone person household - a household consisting of a person living alone.

### **Non-financial assets**

Non-financial assets are all assets other than financial assets. Examples include residential and non-residential property, own unincorporated business, household contents and vehicles.

### **Not in the labour force**

Persons not in the categories employed or unemployed as defined.

### **One family household**

One family households are classified to one of the following categories:

- couple only - two persons in a registered or de facto marriage, who usually live in the same household
- couple family with dependent children - a household consisting of a couple with at least one dependent child. The household may also include non-dependent children, other relatives and unrelated individuals
- one parent family with dependent children - a household comprising a lone parent with at least one dependent child. The household may also include non-dependent children, other relatives and unrelated individuals
- other one family households - a household comprising:
  - one couple with their non-dependent children only
  - one couple, with or without non-dependent children, plus other relatives
  - one couple, with or without non-dependent children or other relatives, plus unrelated individuals
  - a lone parent with his/her non-dependent children, with or without other relatives and unrelated

- individuals
- two or more related individuals where the relationship is not a couple relationship or a parent-child relationship (e.g. two brothers).

### **One parent family with dependent children**

See One family households.

### **Other income**

Income other than wages and salaries, own unincorporated business income and government pensions and allowances. This includes income received as a result of ownership of financial assets (interest, dividends), and of non-financial assets (rent, royalties) and other current receipts from sources such as superannuation, child support, workers' compensation and scholarships. Income from rent is net of operating expenses and depreciation and may be negative when these are greater than gross receipts.

### **Other landlord type**

Where the household pays rent to the owner/manager of a caravan park, an employer (including a government authority), a housing cooperative, a community or church group, or any other body not included elsewhere.

### **Other one family household**

See One family households.

### **Other property loans**

Principal outstanding on loans used to purchase, build, alter, or make additions to property rented out, loans taken out by people in rental properties who are buying or building a home somewhere else, and loans taken out for alterations and additions to other property. Where only a proportion of a loan is used for the property, only that proportion of the principal outstanding is included.

### **Other tenure type**

A household which is not an owner (with or without a mortgage), or a renter. Includes rent free.

### **Own unincorporated business income**

The profit/loss that accrues to persons as owners of, or partners in, unincorporated businesses. Profit/loss consists of the value of gross output of the business after the deduction of operating expenses (including depreciation). Losses occur when operating expenses are greater than gross receipts and are treated as negative income.

### **Owner (of dwelling)**

A household in which at least one member owns the dwelling in which the household members usually reside. Owners are divided into two categories - owners without a mortgage and owners with a mortgage. If there is any outstanding mortgage or loan secured against the dwelling the household is an owner with a mortgage. If there is no mortgage or loan secured against the dwelling the household is an owner without a mortgage.

### **Percentile**

When all households or people in the population are ranked from the lowest to the highest on the basis of some characteristic such as their household income or net worth, they can then be divided into equal sized groups. Division into 100 equal groups gives percentiles. The highest value of the characteristic in the tenth percentile is denoted P10. The median or the top of the 50th percentile is denoted P50. P20, P80 and P90 denote the highest values in the 20th, 80th and 90th percentiles. Ratios of values at the top of selected percentiles, such as P90/P10, are often called percentile ratios. See Appendix 1 for information on the use of percentile ratios in analysing distributions.

### **Percentile ratios**

Percentile ratios summarise the relative distance between two points in a distribution. To illustrate the full spread of the income distribution, the percentile ratio needs to refer to points near the extremes of the distribution, for example, the P90/P10 ratio. The P80/P20 ratio better illustrates the magnitude of the range within which the income or net worth of the majority of households falls. The P80/P50 and P50/P20 ratios focus on comparing the ends of the income or wealth distribution with the midpoint.

## **Private income**

Current receipts from private organisations, including wages and salaries, income from own business, superannuation, workers' compensation, income from annuities, interest, dividends, royalties, income from rental properties, scholarships and child support.

## **Private trusts**

Trusts other than public unit trusts. These include private unit trusts, fixed unit trusts, family trusts, charitable trusts and testamentary trusts.

## **Property**

All residential and non-residential properties owned by persons in the household, excluding properties owned by the respondent's business.

## **Public unit trusts**

A trust which issues units to the general public within Australia for the purpose of investing the pooled monies. A public unit trust must have registered a prospectus with the *Australian Securities and Investments Commission* and be governed by a trust deed between its management company and a trustee company. The units may or may not be listed on the Australian Stock Exchange. Includes property trusts, equity trusts, mortgage trusts, cash management trusts and public trading trusts.

## **Quintiles**

Groupings that result from ranking all households or persons in the population in ascending order according to some characteristic such as their household net worth and then dividing the population into five equal groups, each comprising 20% of the estimated population.

## **Ratio of values at the top of selected percentiles**

See Percentiles

## **Reference person**

The reference person for each household is chosen by applying, to all household members aged 15 years and over, the selection criteria below, in the order listed, until a single appropriate reference person is identified:

- the person with the highest tenure when ranked as follows: owner without a mortgage, owner with a mortgage, renter, other tenure
- one of the partners in a registered or de facto marriage, with dependent children
- one of the partners in a registered or de facto marriage, without dependent children
- a lone parent with dependent children
- the person with the highest income
- the eldest person.

## **Relative standard error (RSE)**

The standard error expressed as a percentage of the estimate for which it was calculated. It is a measure which is independent of both the size of the sample and the unit of measurement, and as a result can be used to compare the reliability of different estimates. The smaller an estimate's RSE, the more likely it is that the estimate is a good proxy for that which would have been obtained if the whole population had been surveyed. For further information see Appendix 2.

## **Renter**

A household which pays rent to reside in the dwelling. See further classification by Landlord type.

## **Salary sacrifice**

An arrangement under which an employee agrees contractually to forgo part of their remuneration, which the employee would otherwise receive as wages and salaries, in return for the employer or someone associated with the employer providing benefits of a similar value.

## **Selected dwelling**

The private dwelling selected in the sample for the survey.

## **Shares**

A share is a contract between the issuing company and the owner of the share which gives the latter an interest in the management of the corporation and the right to participate in profits. In this publication the "value of shares" excludes the value of shares held by individuals in their own incorporated business. Such shares are included in "value of own incorporated business".

## **Significant person**

Significant persons are defined as follows:

- all members of lone person or couple only households
- all parents in a couple with children household or a single parent household
- the person aged 15 years or over in a group household where one person is aged 15 years or over and the other members of the household are less than 15 years old
- 50% of the persons aged 15 years and over in all other households.

## **Standard error**

A measure of the likely difference between estimates obtained in a sample survey and estimates which would have been obtained if the whole population had been surveyed. The magnitude of the standard error associated with any survey is a function of sample design, sample size and population variability. For further information see Appendix 2.

## **Statistical Division (SD)**

The largest spatial unit within each state/territory in the main structure of the **Australian Standard Geographical Classification (ASGC)** (cat. no. 1216.0).

## **Study loans**

Study loans are debts incurred under Higher Education Loans Programmes (HELP), the government education payment scheme, and other government higher education schemes. They also include loans incurred prior to 2005 under the Higher Education Contribution Scheme (HECS) and the Student Financial Supplement Scheme (SFSS). A feature of these loans is that the obligation to repay them only exists when the student's income exceeds a threshold. The debt is also extinguished upon death.

## **Superannuation**

A long-term savings arrangement which operates primarily to provide income for retirement.

## **Tenure type**

The nature of a household's legal right to occupy the dwelling in which the household members usually reside. Tenure is determined according to whether the household owns the dwelling outright, owns the dwelling but has a mortgage or loan secured against it, is paying rent to live in the dwelling, or has some other arrangement to occupy the dwelling.

## **Trusts**

Any type of managed fund which involves the pooling of investors' money in order for a trustee or professional manager to administer that fund. See also Public unit trusts and Private trusts.

## **Unemployed**

Persons aged 15 years and over who were not employed during the week before the interview and had actively looked for full-time or part-time work at any time in the four weeks before the interview and:

- were available for work in the week before the interview, or
- were waiting to start a new job within four weeks from the interview and would have started in the week before the interview if the job had been available then.

## **Unincorporated business**

A business in which the owner(s) and the business are the same legal entity, so that, for example, the owner(s) are

personally liable for any business debts that are incurred. Includes silent partners.

### **Value of dwelling**

The estimated value of the dwelling and its land, as estimated and reported by the respondent. The data are only collected for owners.

### **Vehicles**

Vehicles include registered and unregistered vehicles used for private purposes including cars, trucks, buses, motorcycles, caravans, aircraft, boats and bicycles.

### **Vehicle loans**

Principal outstanding on loans used to purchase motor vehicles. Where only a proportion of a loan is used to purchase a vehicle, only that proportion of the principal outstanding is included.

### **Wages and salaries**

An employee's total remuneration, whether monetary or in kind, received as a return to labour from an employer or from a person's own incorporated business. It comprises wages and salaries, bonuses, amounts salary sacrificed, non-cash benefits such as the use of motor vehicles and subsidised housing, and termination payments.

### **Wealth**

See Net worth.

## **Publication (I-Note) - Publication**

Updates were made to the publication and the Media Release for this publication on 21/10/2011. The publication update was to correct some errors in the list of tables. The media release was amended to reference the 2009-10 issue of this publication.

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